

# EXHIBITS

## Exhibit 3: Management Alert Report Regarding DHCD Testimony Before the City Council's Committee on Economic Development on June 16, 1999

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GOVERNMENT OF THE DISTRICT OF COLUMBIA  
Office of the Inspector General

Charles C. Maddox, Esq.  
Inspector General



September 24, 1999

Othello Mahone  
Interim Director  
Department of Housing and Community Development  
801 N. Capitol St., N.E.  
Washington, D.C. 20002

Dear Mr. Mahone:

The purpose of this Management Alert Report (MAR No. 99-A-001) is to inform you that oral and written testimony provided to the Committee on Economic Development (the Committee) on June 16, 1999, by the Department of Housing and Community Development (DHCD) was inaccurate and incomplete. Also, you are advised that as of September 17, 1999, DHCD had not provided to the Committee the additional information that was requested by a councilmember during the hearing.

It has come to our attention that testimony presented by DHCD at the June 16<sup>th</sup> hearing does not agree with the information obtained during our audit. Accordingly, this report contains recommendations to correct the testimony, to provide the additional information requested during the hearing, and to ensure that in the future, DHCD responds in a timely fashion to requests from councilmembers.

Please review the enclosure and provide your comments by September 27, 1999. Your response should include actions taken or planned, target dates for completion of planned actions, and reasons for any disagreements with the issues and recommendations. Our intention is to limit distribution of this Management Alert Report. Therefore, please circulate it only to those personnel who will be directly involved in preparing your response.

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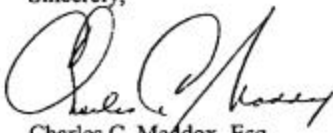
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Othello Mabone, Interim Director, DHCD  
Management Alert Report (MAR No. 99-A-001)  
September 24, 1999

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Should you have questions concerning this report or desire a conference prior to preparing your response, please have a member of your staff contact Roy Simmons, Auditor-in-Charge, at 727-6743, or John N. Balakos, Assistant Inspector General for Audits, at 727-8279.

Sincerely,

A handwritten signature in dark ink, appearing to read "Charles C. Maddox". The signature is stylized with a large initial "C" and a long, sweeping underline.

Charles C. Maddox, Esq.  
Inspector General

Enclosure

# EXHIBITS

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### ISSUES AND RECOMMENDATIONS

#### **ISSUE 1: UNCLEAR, INACCURATE, AND INCOMPLETE FINANCIAL INFORMATION**

Officials of Department of Housing and Community Development (DHCD) provided to the Committee on Economic Development (the Committee) oral and written testimony that was unclear, inaccurate, and incomplete with regard to the amounts of administrative subgrants awarded to the Community Development Corporations (CDCs). The subgrant amounts provided in testimony were the amount of the original awards, which did not include changes that occurred through amendments. Also, a DHCD official's oral testimony materially understated the amount of Community Development Block Grant (CDBG) funds that the U.S. Department of Housing and Urban Development (HUD) awarded to DHCD over a 2-year period. Also, the written testimony omitted a subgrant awarded, in the amount of \$145,000 to Manna, Incorporated (Manna), which was referred to as a CDC in a subgrant agreement.

#### **Amounts of Administrative Subgrants Awarded to CDCs for a 3-year Period**

DHCD provided to the Committee charts that showed the amount of subgrant awards to the CDCs by fiscal year. However, our audit shows the total amounts awarded to these CDCs differed from the amount shown on the charts by as much as 31.66 percent. DHCD understated the amount of a subgrant awarded to one CDC by \$106,998. Table A, for fiscal year (FY) 1997, and Table B, for FY 1998 (*infra.*), compare the amounts submitted to the Committee with the amounts found by our audit. We did not compare figures for FY 1999.

**Table A: 3-Year Period - FY 1997 Subgrants**

<u>CDC</u>	<u>Testimony</u>	<u>Actual Subgrants</u>	<u>Overstated (Understated)</u>	<u>Percent</u>
AEDC	\$ 422,441	\$406,130	\$ 16,311	3.86
ERCDC	369,977	344,944	25,033	6.77
HSCDC	499,523	493,719	5,804	1.16
HSCDC	239,426	225,698	13,728	5.73
LEDC	271,789	267,766	4,023	1.48
MHCDC	438,764	404,185	34,579	7.88
NCNDC	264,917	264,437	480	0.18
PIC	<u>923,981</u>	<u>923,981</u>	<u>0</u>	0.00
<b>Subtotals</b>	<b>\$ 3,430,818</b>	<b>\$ 3,330,860</b>	<b>\$ 99,958</b>	<b>2.91</b>
DCCH	468,034	525,979	(57,945)	12.38

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### ISSUES AND RECOMMENDATIONS

Table B: 3-Year Period - FY 1998 Subgrants

<u>CDC</u>	<u>Testimony</u>	<u>Actual Subgrants</u>	<u>(Understated)</u>	<u>Percent</u>
AEDC	\$ 453,651	\$560,649	(\$ 106,998)	23.59
DCCH	512,282	522,282	(10,000)	1.95
ERCDC	355,737	373,550	(17,813)	5.01
HSCDC	527,950	537,950	(10,000)	1.89
HSCDC	242,685	254,685	(12,000)	4.94
LEDC	297,210	313,710	(16,500)	5.55
MHCDC	422,501	430,171	( 7,670)	1.82
NCNDC	302,077	397,702	(95,625)	31.66
PIC	837,340	846,090	( 8,750)	1.04
<b>Totals</b>	<b>\$ 3,951,433</b>	<b>\$ 4,236,789</b>	<b>(\$ 285,356)</b>	<b>7.22</b>

### Amount of Administrative Subgrants Awarded to the CDCs for a 2-Year Period

A councilmember asked DHCD officials to provide the total amount of administrative subgrants DHCD awarded to the CDCs over a 2-year period. In reply, a DHCD official stated about \$3.5 million was awarded. However, we noted that the written testimony provided to the Committee differed from the oral testimony and also from the amount calculated by our auditors. Both the oral and written testimony materially understated the amount of subgrants issued to CDCs over a 2-year period. Table C compares the oral and written testimony with audit results for two 2-year periods.

Table C: Subgrants to CDCs in Latest 2-Year Periods

	<u>FY 1997/1998</u>	<u>FY 1998/1999<sup>1</sup></u>
Oral Testimony	\$ 3,500,000	\$ 3,500,000
Actual Subgrants	<u>8,093,628</u>	<u>8,043,296</u>
(Understatement)	(\$ 4,593,628)	(\$ 4,543,296)
Written Testimony	\$ 7,850,285	\$ 7,757,940
Actual Subgrants	<u>8,093,628</u>	<u>8,043,296</u>
(Understatement)	(\$ 243,343)	(\$ 285,356)

<sup>1</sup> For the FY 1998/1999 period, the FY 1999 figures provided by DHCD are untested. Using those untested figures for FY 1999, i.e., \$ 3,806,507, and audit results for FY 1998, i.e., \$4,236,789, we calculate subgrants for the period of \$8,043,296 (\$3,806,507 + \$4,236,789).